

Message Text

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ACTION NEA-13

INFO OCT-01 AF-10 EUR-25 ISO-00 SPC-03 AID-20 EB-11 NSC-10

RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12

LAB-06 SIL-01 INT-08 FEA-02 SCI-06 DODE-00 PM-07 H-03

L-03 PA-04 PRS-01 USIA-15 AGR-20 IO-14 DRC-01 /249 W

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R 251600Z JAN 74

FM AMEMBASSY NICOSIA

TO SECSTATE WASHDC 8158

INFO AMEMBASSY TRIPOLI

AMEMBASSY TEL AVIV

AMEMBASSY LONDON

AMEMBASSY ATHENS

AMEMBASSY ANKARA

AMEMBASSY MOSCOW

C O N F I D E N T I A L NICOSIA 143

E.O. 11652: GDS

TAGS: ENRG, ETRN, EIND, CY

SUBJECT: ENERGY: CYPRUS' SEARCH FOR CHEAP CRUDE FAILS

REF: (A) NICOSIA 107 (B) NICOSIA 81 (C) NICOSIA 35 (D) NICOSIA 27

TEL AVIV FOR AGATT

SUMMARY: LIBYAN CONCESSIONAL PRICE FOR CYPRUS WILL EXCEED PRICES CURRENTLY PAID FOR CRUDE IMPORTS. SOVIETS DEMANDING WEST EUROPEAN SPOT MARKET PRICES FOR BOTH CRUDE AND PRODUCT. COMMERCE MINISTER ANNOUNCING THAT THERE NO PROSPECT THAT RETAIL GASOLINE PRICES WILL BE REDUCED. END SUMMARY.

1. COMMERCE AND INDUSTRY MINDIRGEN (ELIADES) TELLS US
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THAT COMMERCE AND INDUSTRY MIN COLACASSIDES, IN HIS

SCHEDULED JAN 26 PRESS CONFERENCE, WILL ANNOUNCE THAT THERE IS NO POSSIBILITY OF REDUCING THE RETAIL GASOLINE PRICES SET BY GOCYPRUS JAN 17 (SEE REF A).

2. ELIADES EXPLAINS THAT THE LIBYANS STILL HAVE NOT TOLD GOCYPRUS THE PRICE AT WHICH THEY WILLING SUPPLY CRUDE. HOWEVER, THEY ARE NOW ASKING \$16 PER BBL AND HE IS "ABSOLUTELY CERTAIN" THAT CONCESSIONAL PRICE WILL BE NO LESS THAN \$13 PER BBL, SUBSTANTIALLY ABOVE PRICE AT WHICH OIL COMPANIES NOW PURCHASING AT SIDO (\$10.50 PER BBL).

3. SIMILARLY, THERE IS NO RPT NO HOPE OF SOVIET CRUDE OR HEAVY FUEL OIL AT CONCESSIONAL PRICE. SOVIETS ARE NOW ASKING SPOT MARKET PRICES QUOTED IN PLATT'S OIL WEEKLY. ELIADES SAYS SOVIET TRADE COMMISSIONER IN CYPRUS (FORKIN) REGRETFULLY INFORMED MINISTER THAT SOVIET AMBASSADOR'S REQUEST FOR CONCESSIONAL PRICE FOR CYPRUS WAS REJECTED BY KOSYGIN HIMSELF. ELIADES NOTES THAT THIS IS FIRST TIME IN HIS 15 YEARS AS COMMERCE MINISTER THAT SOVIETS HAVE REFUSED GOCYPRUS REQUEST FOR TRADE OR PRICE CONCESSION. HE ADDS THAT CYPRUS ELECTRICITY AUTHORITY WILL IMPORT 120,000 METRIC TONS OF SOVIET HEAVY FUEL OIL IN 1974 AT ABOUT \$90 PER TON, FIVE TIMES THE 1973 PRICE.

4. ELIADES SAYS GOCYPRUS DECISION TO RAISE GASOLINE PRICES BY 90 PERCENT BUT NOT TO INCREASE DIESEL OIL PRICE WAS MADE BY PRESIDENT MAKARIOS IN DESIRE TO INSULATE FARMERS, VILLAGERS AND WORKERS FROM INFLATIONARY IMPACT OF WORLD OIL CRISIS. MINISTRY'S RECOMMENDATION THAT GASOLINE PRICE BE INCREASED BY ONLY 70 PERCENT BUT THAT DIESEL OIL AND KEROSENE PRICES BE RAISED AS WELL WAS OVERRULED BY MAKARIOS. ELIADES SAID MAKARIOS APPARENTLY PREFERS POLITICAL RISK OF MIDDLE CLASS GRUMBLING TO THAT OF RURAL UNREST.

5. ELECTRICITY RATES WILL GO UP ABOUT 50 PERCENT ON MARCH 1 AS RESULT INCREASED PRICE SOVIET AND DOMESTICALLY REFINED HEAVY FUEL OIL. HOWEVER, RATE STRUCTURE WILL BE REVISED TO PLACE MOST OF BURDEN ON URBAN MIDDLE CLASS HOUSEHOLD CONSUMER.

6. NOTING RIGHT-WING PRESS ATTACK AGAINST GOCYPRUS'
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ALLEGED TOLERATION OF PROFITEERS, AS WELL AS DEMANDS BY CIVIL SERVANTS UNION AND TAXI CAB OWNERS FOR COMPENSATION FOR GAS PRICE HIKES, ELIADES SAID HE HAS RECOMMENDED THAT MINISTER AT PRESS CONFERENCE REITERATE GOCYPRUS FAITH IN FREE MARKET SYSTEM BUT WARN THAT GOVT WILL NOT RPT NOT HESITATE TO ACT AGAINST OBVIOUS ABUSES. ELIADES OPPOSES GENERAL, MANDATORY WAGE AND PRICE CONTROLS, BUT WOULD WELCOME INTRODUCTION OF ANTI-MONOPOLY LEGISLATION TO CYPRUS.

HE SAYS CIVIL SERVANTS HAVE NO CASE AS THEY WILL BE COMPENSATED BY AUTOMATIC COST OF LIVING INCREASES BUT THAT SYSTEM FOR RELIEF TO GASOLINE POWERED TAXI OPERATORS IS UNDER STUDY.

7. CONCLUDING THAT CYPRIOTS "UNFORTUNATELY REFUSE TO MAKE SACRIFICES", HE SAID COLOCASSIDES WILL TELL THEM THAT THEY ARE NOT IMMUNE FROM THE EFFECTS OF THE WORLD OIL CRISIS IN TOMORROW'S PRESS CONFERENCE.

8. COMMENT: ELIADES ACCOMPANIED COLACASSIDES TO LIBYA AND IS AN AUTHORITATIVE SOURCE.
GRANT

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